Business Plan

2017–2018

Department of Finance
and Treasury Board

NOVA SCOTIA

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Budget 2017–2018: Business Plans

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Message from the Minister

I am pleased to present the 2017-2018 Business Plan for the Department of Finance and Treasury Board. The work of the Department of Finance and Treasury Board supports Government priorities by helping to achieve ongoing fiscal sustainability for the Province. The Department achieves this through: budget and fiscal plan development; financial accounting; expenditure management; financial advisory services; continuous program review and strategic initiatives; revenue estimates and federal transfers; tax policy, administration and credits; economic forecasting, policy analysis and modelling; liability, debt and treasury management; corporate compliance and reporting; regulation of pensions and select financial institutions; and policy oversight to the securities and liquor control sectors.

Through its fiscal sustainability, regulatory and information roles, the Department of Finance and Treasury Board contributes to an enabling environment for Government's priorities related to people and innovation. Fiscal sustainability helps facilitate a positive economic environment through market stability, which encourages economic growth, and business investment.

Understanding the fiscal climate allows us to continue to focus on quality health care, education, youth employment and addressing challenges in new and innovative ways. Furthermore, the Department continues to promote innovative ways to ensure Nova Scotians' income security. Beginning in 2016-17 Government enabled Pooled Registered Pension Plans to be offered within Nova Scotia. Another initiative permitted municipalities and other local authorities to have the option to transfer their pension plans into the Public Service Superannuation Plan. Government also worked with the federal government and other provinces to design enhancements to the Canada Pension Plan.

As we celebrate Canada's 150th year, we continue to strengthen our partnerships across all levels of Government, with our provincial agencies and external partners. By maintaining the Province's financial health, we can continue to grow Nova Scotia's economy.

The Department of Finance and Treasury Board relies on the dedication and expertise of its employees to achieve its objectives, and I would like to thank them for their ongoing efforts. As Minister of Finance and Treasury Board, I look forward to continuing the important work of the Department to further advance the priorities of Government in the 2017-2018 fiscal year.

Original signed by

Honourable Randy Delorey
Minister of Finance and Treasury Board

Departmental Mandate

The Department of Finance and Treasury Board (FTB) works to preserve the financial capacity of government to provide public services in Nova Scotia, by achieving ongoing fiscal sustainability for the Province.

Flowing primarily from the *Finance Act* and the *Public Service Act,* the Department's mandate includes:

- establishing a sound fiscal framework,
- control over public finances, and
- providing meaningful, transparent financial reporting

The Department prepares government's four-year fiscal plan and presents it annually in the provincial budget documents. The budget is monitored throughout the year and public forecast updates are provided to the public, reporting progress. The actual year-end results are provided annually through the Province's Public Accounts, which report results as compared to the budget.

Through its activities, the Department supports government decision-making. The Department also supports the Minister of Finance and Treasury Board in overseeing certain crown agencies for which the Minister is assigned responsibility, which include:

- the Nova Scotia Liquor Corporation,
- the Nova Scotia Securities Commission,
- the Credit Union Deposit Insurance Corporation, and
- the Nova Scotia Utility and Review Board

Finance and Treasury Board Priorities

The Department of Finance and Treasury Board supports Government by establishing a sound fiscal plan and financial framework to support the priorities of Nova Scotia. Through this work, the Department enables the Government of Nova Scotia to deliver public services.

In delivering on services, the Department is guided by its core functions to oversee Nova Scotia's public finances, develop the Budget and fiscal plan, report on government spending and income, and manage the province's debt. Additionally, the Department assists other branches of government with budgeting, accounting, economic impact assessment and statistical analysis to ensure that everyone complies with the government's fiscal plan.

Balanced Budget

The Government presented a balanced budget for the 2016-2017 and has tabled a balanced budget for the 2017-2018 fiscal year. This work, in collaboration with all government departments and agencies, aligns with the mandate to establish a sound fiscal framework.

Financial leadership and analysis to build and sustain a sound fiscal framework is critical to the success of the government's initiatives and delivery of public services.

Efficiency and Effectiveness

Finance and Treasury Board have been leading government-wide program reviews, and will continue this work in 2017-2018. To improve efficiency and effectiveness of government-wide efforts, the Department undertakes strategic examination of programs and program policy. This robust analysis support initiatives targeted at improving and attaining operational efficiencies.

The Department has focused on revising the planning, budgeting, progress and performance reporting across government. This ongoing initiative, which began in 2016-17, aims to improve the integration of the program cycle, and further inform Treasury and Policy Board discussions and decisions, most notably in the further alignment of business planning and budgeting.

Finance and Treasury Board continues to provide ongoing economic, statistical and demographic information to inform policy and project development. This work assists in identifying ongoing and new program needs. By examining detailed profiles of the economic impacts of key sectors, as well as the inter-industry relationships between sectors, it allows Nova Scotians to see and make the best use of economic opportunities. This also serves to drive good financial management and fiscal prudence that allows Government to allocate resources to the important priorities for of Nova Scotians.

Innovation

The Department continuously assesses internal and external processes, looking at innovative ways to improve efficiency and deliver programs that meet the needs of Nova Scotians.

For example, with respect to provincial income tax refunds, a new, more effective method of analyzing and storing the data received from the Canada Revenue Agency regarding the Guaranteed Income Supplement recipients has been developed. This approach is more user-friendly and allows the bi-annual analysis to be much quicker, therefore allowing the tax refunds to go out to seniors faster.

Similarly, the Department has also improved program effectiveness by refreshing the processes for the Volunteer Firefighters and Ground Search and Rescue Tax Credit. Two-thirds of documents sent out from Finance and Treasury Board have moved from hard-copy packages to email, reducing cost. In response, an increase of approximately 65% of fire Chiefs have submitted their completed documents by email or fax. This is a significant increase from previous years, and the Department will continue to refine this process, in 2017-18.

Tax Measures

As part of Finance and Treasury Board's ongoing review of tax policy, tax measures and fiscal impacts, the Department introduced the Food Bank Tax Credit during 2016-17. Under this innovative model, famers who donate to food banks in Nova Scotia qualify for a new tax credit to encourage fresh produce donations. This work helps to ensure that food banks have nutritious produce for Nova Scotians. Moving forward, Finance and Treasury Board is introducing an exemption from the motive fuel tax for equipment used in the extraction process for the mining and bedrock quarrying industry, effective April 1, 2017.

With an ongoing focus to support business, the small business income threshold will rise from $350,000 to $500.000. This will provide tax relief, with more small businesses paying the lower small business corporate tax rate of three per cent, effective January 1, 2017.

The province has also announced an enhancement to the Basic Personal Amount (BPA) for the 2018 taxation year and subsequent taxation years. These enhancements will reduce taxes for low and middle income individuals and families. The BPA will increase by up to $3,000 from $8,481 to $11,481. For individuals with taxable income greater than $25,000 the amount of the enhancement will reduce as income rises, with the enhancement ending when taxable income reaches $75,000. This will reduce taxes for over 500,000 Nova Scotians and an additional 60,000 will no longer pay provincial income taxes.

Federal and Provincial Initiatives

In considering both current and anticipated needs, the Department, working closely with provincial partners, has negotiated a bilateral agreement with the federal government on the Canadian Health Transfer payments. This agreement will provide long-term certainty for health-care funding needs for Nova Scotia.

In 2017-18 the Department will continue to build on the agreement among federal, provincial and territorial Ministers agreed to enhance the Canada Pension Plan to improve retirement security for Canadians. Finance and Treasury Board will support the Minister in ongoing work with partners to develop regulations needed to ensure the long-term sustainability of this enhancement. This work will be undertaken as part of the 2016-2018 Triennial Review of the Canadian Pension Plan.

Finance and Treasury Board also continues to be in engaged with federal and provincial partners to implement provincial initiatives to accommodate the federal policy to legalize cannabis.

Strategic Goal: Fiscal Sustainability

Fiscal Sustainability is the Department of Finance and Treasury Board's strategic goal for 2017-2018. The Department will provide financial leadership and analysis to build and sustain a sound fiscal framework and financial control over public finances.

The department's goal is to support Government's objective of a balanced budget and achieve ongoing fiscal sustainability.

Fiscal Sustainability: Actions

Key actions that advance the fiscal sustainability objectives are guided by the Department's core functions.

Budget and Fiscal Plan Development

Develop and coordinate of the provincial budget, four-year fiscal plan and capital plan. This work includes budget policy analysis, fiscal planning, and ongoing scrutiny of the borrowing plan.

Financial Accounting

Establish corporate accounting policies in accordance with Public Sector Accounting Standards and provide expert accounting advice/recommendations to the finance and business community for the General Revenue Fund and Government Reporting Entities corporate initiatives of the Province. Additionally, the preparation and analysis of the annual Public Accounts, which include the consolidated financial statements of the Province.

Expenditure Management and Financial Management

Coordinate, monitor and report multi-year spending activities, through the budget and forecast process, with respect to operational and capital planning for the Province.

Continuous Program Review and Strategic Initiatives

Undertake strategic examination of programs and program policy to improve efficiency and effectiveness of government-wide efforts.

Revenue Estimates and Federal Transfers

Participate and support Federal-Provincial-Territorial (FPT) Finance relationships and support FPT collaborations and providing advice on advancing province's interests. Review and report on federal estimates, technical and policy features and implications of changes to formulae.

Regulation

Enable effective regulation in a manner helpful to people and business, and several financial services sectors including insurance, credit unions, pensions, and securities and liquor industry.

Tax policy, administration and credits

Complete ongoing reviews of tax policy, tax measures and fiscal impacts. Building from this work, tax policy is designed, enhanced and implemented. Tax agreements with the federal government are overseen, and the Department works to advance the Province's interests on Federal - Provincial - Territorial committees.

Economic Forecasting, Policy Analysis and Modelling

Provide forecasts of economic growth by industry, allowing Nova Scotians to plan for economic change at the sectoral level. Additionally, providing population projections at the county level, allowing for better targeting when planning public services, business and community development as demographics change in the coming decade. Through supporting public measurement and analysis, the Department measures the progress towards the One Nova Scotia goals.

Liability and Treasury Management

Manage the treasury functions for the Province, which involves the prudent management of the annual borrowing program and the Province's cash, liquidity and debt portfolios. This is accomplished with a view to minimizing debt service costs subject to acceptable levels of risk. Liability Management and Treasury Services also provides advice and consultation services to government departments, agencies, boards and commissions.

Compliance and Reporting

Manage the accounting, reporting and custody of all debt and investments of the Province

Fiscal Stability: Inputs – Budget Context

Finance and Treasury Board Departmental Expenses Summary			
	2016-2017 Estimate	2016-2017 Forecast	2017-2018 Estimate
Programs and Services	($thousands)	($thousands)	($thousands)
Senior Management	3,799	3,338	3,907
Controller's Division	2,279	2,146	2,337
Treasury Board Office	1,222	1,142	1,221
Corporate Strategic Initiatives	1,092	763	924
Financial Advisory Services	10,689	9,354	11,062
Fiscal Policy, Economics and Budgetary Planning	3,701	3,655	3,649
Total – Departmental Expenses	**22,782**	**20,398**	**23,100**
Additional Information:			
Fees and Other Charges	(412)	(455)	(412)
Ordinary Recoveries	0	(1)	(120)
Provincial Funded Staff (FTEs) Net	**206.9**	**185.3**	**207.9**

Fiscal Sustainability: Performance Measures

Progress will be measured and reported on in the province's annual Budget, public forecast updates and the public accounts. These measures are also reported on by the Auditor General for Nova Scotia.

1. Fiscal Sustainability

Fiscal sustainability can be defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy[1].

The primary measures for fiscal sustainability is the net debt to nominal Gross Domestic Product (GDP) ratio.

The One Nova Scotia Commission Report proposed a net debt to GDP ratio goal for the province of 30% or less by 2024.

A balanced budget is measured by the annual surplus/deficit of the provincial budget.

2. Flexibility

'Flexibility' refers to the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.[2]

The typical measure of government financial flexibility looks at the ratio of debt servicing costs in relation to the total revenue available to spend in a given year. (Debt service costs as a percentage of revenue).

3. Vulnerability

'Vulnerability' refers to the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside of its control or influence, both domestic and international.[3]

This measure is often used for the vulnerability of government finances is the amount of federal government transfers as related to the total revenues of a provincial government. (Federal transfers as a percentage of total revenue).

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[1] *Indicators of Government Financial Condition, Research Report*; the Canadian Institute of Chartered Accountants, 1997.
[2] Ibid
[3] Ibid

Performance Measures: Results

The performance measure results are presented in the following table.

- For 2016-2017, the results are based on the final forecast as presented in Budget 2017-2018. The final result will be presented in the Provincial Public Accounts for 2016-2017 in the summer of 2017.

- For 2017-2021, the results are based on the Province of Nova Scotia's four year fiscal plan, as presented in Budget 2017-2018.

Indicator	2013-14	2014-15	2015-16	2016-17(f)	2017-18	2018-19	2019-20	2020-21
Sustainability								
Annual Surplus/(Deficit)	($676.9M)	($143.7M)	($10.7M)	$40.8M	$136.2M	$35.6M	$46.6M	$60.8M
Surplus/(Deficit) as % of GDP	(1.75%)	(0.37%)	(0.03%)	0.1%	0.32%	0.08%	0.1%	0.13%
Net Debt to Nominal GDP	38.3%	38.5%	37.5%	36.6%	35.9%	35.2%	34.4%	33.7%
Net Debt per Capita	$15,664	$15,940	$15,900	$15,800	$15,900	$16,000	$16,100	$16,300
Net Debt	$14.8B	$15.0B	$15.1B	$15.1B	$15.2B	$15.3B	$15.4B	$15.6B
Debt Service Costs as % of total revenue	8.8%	8.4%	8.6%	8.2%	8.0%	8.2%	7.9%	7.1%
Own Source Revenue as % of GDP	17.3%	18.6%	16.5%	16.6%	16.7%	16.5%	16.4%	15.8%
Federal Transfers as % of total revenue	33.7%	31.8%	33.2%	32.9%	33.5%	32.2%	31.9%	33.8%

Notes:

1. *Performance measures for 2012-13 to 2015-16 use Government Reporting Entity (GRE) figures (Consolidated). 2016-17 to 2020-21 will use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years. f=forecast*
2. *In 2017-2018, there was a one-time revenue recognition related to capital from other sources of $110.3 million. The net position surplus position for 2017-2018 is $25.9 million.*